North Dakota's Crude Oil Rail Transportation Infrastructure

February 28, 2011
10:30 am – 12:00 pm

Agenda
- BNSF Railway
- Rangeland Energy
- US Development Group
- EDOG Logistics
- Savage Services

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Existing & Planned Rail Locations

**Existing**
1) Stampede
2) Donnybrook
3) Ross
4) Stanley – EOG
5) Minot – ND Port Services
6) Dore
7) New Town – Dakota Transport Solutions
8) Beulah

**Planned**
1) Trenton – Savage
2) Epping – Rangeland
3) Tioga – Hess
4) Dickinson - EDOG
About Us

- A Berkshire Hathaway company

- Unlike other forms of freight transportation, our trains operate on an infrastructure built and financed almost entirely by the railroad

- Every day, we deliver trainloads of consumer goods, agricultural products, industrial products and coal to customers across our 32,000-mile rail network
BNSF Network

Route Miles: 32,000
Number of Employees: 38,000
Locomotives: 5,800
Average Freight Cars on System: 208,000

Bakken Region
Route Miles: ~1,000
Stations Served: 61
Locomotives: 5,800
N.D.-based Employees: 1,662
Average Employees on System: 208,000
Inbound Commodities

- Each horizontal drilling rig / well site consumes about 23 railcars of inbound products per month:
  - OCTG (casing)
  - Sand
  - Barite
  - Drilling fluid
  - Acid
  - Cement

- Pipelines – Gathering and Transmission

Four Bears Pipeline - October 2010
Crude Takeaway

- **Unit Train Shipments**
  - BNSF touches 16 of the top 19 oil-producing counties in North Dakota
  - 8 new crude unit train facilities by 2012

- **Manifest Shipments**
  - **Origins**
    - Transload locations in North Dakota and Montana
  - **Destinations**
    - Refineries and Transloads
    - WTI and LLS tank farms
    - Oklahoma, Texas, California, Others

- Rail is currently transporting approximately 20% of Bakken production
What is BNSF’s capacity in the Bakken?

- BNSF has approximately 1,000 miles of rail lines in the Bakken region

- Unit Train Shipments
  - BNSF is prepared to transport 730,000 bbl/day
  - Timing of 12 to 18 months to establish a new facility
  - Destinations to handle unit trains

- Manifest Shipments
  - BNSF volume has doubled each year
  - Finding additional locations has been challenging
  - Large transload sites are available
Crude Train FAQ #2

What are the advantages of shipping crude by rail?

- Provides flexibility to serve key markets
- Isolation of commodity to protect purity of product
- Timing to market
How does BNSF price crude?

- BNSF publishes rates on a per-car basis
- Tariff rates available on [www.railprices.com](http://www.railprices.com)
- Per-barrel calculation will depend on weight and capacity of tank car
What are your unit train guidelines?

- Approximately 7,500 feet of track
- Loop or straight track design
- Access to mainline in both directions
- Loading/unloading in less than 24 hours to keep locomotives
- Loading/unloading must occur greater than 100 feet from nearest mainline
- Based on projected volume, we will recommend storage tankage amounts
- 118 leased tank cars, 2 buffer cars, 3 locomotives
- 66,000 – 81,000 bbl/train depending on loading configurations
BNSF Bakken Development

- More facilities to come online in second, third and fourth quarter

- BNSF investing capital into mainline routes
  - Sidings, serving yards, train crews, supervisors

- Other destinations
BNSF North Dakota Economic Impact

- Employment – 1662, up 46% since January 2010
- Payroll – more than $80.4 million in 2010
- BNSF has invested millions of dollars of capital in the region
- Over 100 trains serving the Bakken region on a weekly basis
- More than $400,000 in charitable donations since 2008
BNSF Activity in Other Shale Plays
Contact Information

- bnsf.com/bakken
- Oil Can! Day at The Capitol
- WBPC – Regina, SK
- Questions?

Serving your freight transportation needs into and out of the Bakken Shale region

The Bakken Shale is one of the continent’s most promising resources for domestic oil supply. And BNSF Railway is the premier freight transportation resource for shipping goods into and out of the Bakken region.

BNSF’s rail network connects the Bakken oil deposits in the Dakotas and Montana with the major supply and consumption markets across the United States.

Whether you’re shipping drilling pipe, sand, or clay into the region, or you’re transporting crude oil or LPG out of the region, you can count on BNSF to provide you with a safe, reliable and convenient transportation solution that meets your exact needs.

Services BNSF Offers

- BNSF offers both haul and unit train service
- Carload can be either a single car or blocks of cars meeting with other commodities en route

Facility Development

Through our Economic Development Services, we offer a comprehensive service package for planning and developing rail service to new or existing facilities. This includes:

Learn more about BNSF’s role in the growing energy industry. Access Online Resource.

Visit bnsf.com

Contact a BNSF account rep today!

Reginal Cargill
817-697-6260

Reginal Sales
817-697-6284

Reginal Service
817-697-6293
Rangeland Energy, LLC

COLT Project Presentation

NDPA Webinar

February 28, 2011
Brian Freed
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Direct – 281.566.3008
Rangeland Energy, LLC

Purpose
- Rangeland Energy, LLC is a midstream energy company focused on developing, acquiring, owning and operating midstream crude oil and natural gas assets.
  - Formed in November, 2009, Rangeland Energy is funded by the EnCap Energy Infrastructure Fund, L.P. (EEIF), a private equity fund managed by EnCap Flatrock Midstream.
  - Sr. Management team with over 100 years of midstream experience (crude oil, natural gas and refined products)

Strategic Focus
- Initial focus is crude oil infrastructure in North Dakota’s Bakken shale
  - Williams & McKenzie Counties
  - Target market includes producers, marketers and refiners
    - Rangeland is not an acquirer or marketer of crude oil
  - Other areas of interest:
    - Niobrara Shale, Wyoming
    - Eagle Ford Shale, Texas
Crude Oil Production – 1.2 MMBpl/d in 2015?

Williston Production Growth

- Historical
- Forecast

Oil Production (Bbls/d)

Source: Raymond James, NDPA
Production forecast is for visual demonstration purposes only and should not be considered accurate for any near or long term planning.

*Projects still in the proposed or internal review process
Bakken Crude Markets

• Where does the crude want to go?
  – Currently “supply push” vs. “market pull”
    • Average North Dakota wellhead price WTI minus $12.00
  – As infrastructure develops, crude will seek the highest value market
    • Gulf Coast – Houston, Beaumont/Port Arthur, Lake Charles, St. James
      – LLS market trades at a premium to WTI (usually between $2.00-$4.00/barrel)
    • Enhance crude value through blending

![Map of the United States showing trade locations: Clearbrook ($3.50), Guernsey ($9.00), Cushing (WTI) $0.00, St. James $3.00.]}
Rangeland’s Development Project - COLT

- Develop a crude oil “HUB” in Williams County, ND
  - Merchant/3rd party, fee-for-service facility
  - Truck gathering services with both unloading and loading facilities
  - Provide pipeline gathering services to the hub
  - Provide terminal services (storage, blending,...) at the hub
    - Dedicated tankage and fungible tankage options
  - Provide connectivity to multiple markets at the hub
    - Pipeline (bi-directional 8” to beaver lodge junction and other planned pipelines) & Railroad (unit train loading facilities)
      - Maximize value of produced crude oil
  - NGL storage and rail opportunities
COLT – Full Unit Train & Manifest
COLT Connector Pipeline Project

- COLT Connector Pipeline interconnect to transport between COLT Hub and Beaver Lodge junction
- Bi-directional line connecting to:
  - Enbridge
  - Tesoro
  - Other planned pipelines in the immediate area
Current Status

• Regulatory/Permitting
  – Rezoning hearing – unanimously approved
  – NDPSC pipeline application filed

• Land Acquisition

• Engineering
  – Detailed engineering
  – Bid packages prepared
  – Purchasing long lead items

• On-Track for January 1, 2012 in-service date
Rangeland Energy, LLC

COLT Project Presentation

Questions?

February 28, 2011

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Crude by Rail Program

US Development Group LLC

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US Development Overview
USD Crude Network

- Network of Unit Train Destination Terminals
  - Focus on Unit Train Markets
  - Terminals in Key crude Hubs
  - Offer Premium Markets to Cushing
  - Destination Flexibility
    - Manage to Best Netback

- Initial Terminal - St James Rail Terminal

- Continued Growth of Destination Network
  - Texas Gulf – Q4 2011
  - West Coast
  - East Coast
  - Potential Mid Continent

- Origin Network
  - Eagle Ford Shale
  - Niobrara Shale
St James Rail Terminal

• Why St. James vs. Other Markets
  • Very Liquid Markets – Over 1.1 Million Barrels Per Day
  • LLS Market Trades at a premium to WTI
  • Cushing Market Heavily Impacted by Multiple Crude Sources and Upcoming Canadian Pipelines
  • No Potential Competition by Pipe
  • Multiple Pipeline Connections From St. James

• St James Rail Terminal
  • Terminal located in St. James, LA on UPRR
  • Terminal is Located at Plains Marketing St. James Terminal
  • Current Capacity to Handle One Train per Day.
    • Expanding to over Two Trains per Day
  • Dedicated USD switch engines and crews
St James Pipe Connectivity

**Capline**
Valero - Memphis (180,000 bpd)
Lima (151,000 bpd)
COP - Wood River (288,000 bpd)
BP - Whiting (410,000)
BP - Toledo (160,000)
Marathon - Robinson (192,000)
Marathon - Catleseburg (222,000)
Marathon - Minneapolis (70,000)
Marathon - Canton (73,000)
Marathon - Detroit (74,000)
Citgo - Lemont (160,000)
Koch - Minneapolis (265,000)
Sun - Toledo (150,000)

**LoCap**
Exxon - Baton Rouge (493,000)
Marathon - Garyville (236,000)
Motiva - Convent (235,000)

**RedStick**
Placid (48,000)
Sustainability of Crude by Rail

• Rail Program Has Ability to Sustain as Long-term Compliment to Pipeline

• Market Flexibility with Multiple Origin/Destination Markets - Premium and Non-pipe Served Markets

• Rail Economics

• Transit Time and Rail Efficiency

• Product Integrity

• Continued Ability to Move Product Demand
  • Rail Service
  • Rail Equipment
Dickinson Railroad Shipping Facility for Light Crude Oil

First ND Full Unit Train Operational Facility South of River

Capacity: Initially 10 Unit Trains/Week
Expandable to 70 Unit Trains/Week

Destination: St. James, LA and Others

Opening: June 2011
EDOG RRSF – Located in SW North Dakota
EDOG RRSF is 2 ½ Miles Southwest of Dickinson
EDOG RRSF – In the Midst of Three Forks Play
Plan of Phase 1 – 100,000 BOPD
Construction Status of Phase 1
Plan of Phases 2-5 – 500,000 BOPD
View of Entire East Half of RRSF 700 Acre Property
BNSF Mainline Connections

• Mainline east and west
• Contract Executed with BNSF
• Two Switches to be Installed into mainline of BNSF so may enter and exit in either direction.
Destinations Including – St. James, Louisiana
EDOG RRSF – Commencement of Operations

• June 2011
• Contact Information:
  – EDOG Logistics, LLC
  – Post Office Box 1154
  – Dickinson, North Dakota
  – 701-483-5982
  – Visit our Offices and Site in Dickinson
  – robertjangerer@edog-l.com
Savage Services

• Privately-held corporation based in Salt Lake City, UT – established in 1946
• >140 operations & 2000+ employees in North America
• Systemized approach for supply chains, materials management, transportation, facilities, & related services
• Dedicated to understanding our customer’s unique needs and developing **Innovative Supply-Chain Solutions**
• Committed to delivering **“Best Value – No Worry”** service to our customers with integrity
• Continuous improvement focused – **S^7 Operating System**
Williston Basin – Railport Facility

Savage Trenton Railport
- 13 miles SW of Williston and 6 miles from Montana border
- Williams County – just north of McKenzie County
- Just east of BNSF mainline and HWY 1804 intersection
Strategically Located in Trenton

- In heart of Bakken Shale development
- 5 miles from Plains / Enbridge Pipeline Terminal
Multiple Capabilities – Crude & Materials
Facility Characteristics

- Rail served by BNSF
  - 274 acre Railport
- Facility Infrastructure
  - Total lineal feet - 38,700.
  - Loop track - 8,300 ft.
  - Transloading - 7 tracks consisting of 13,000 ft.
- Leads-2 Lead tracks
  - 8,000 ft.
  - 6,800 ft.
  - Misc-Wye Track - 2,400 ft.
- Onsite full-time switching
Service Model

• Services provided will primarily include rail switching and a full-service transload facility.

• This facility will be a multi-product multiuser facility including but not limited to:
  – Crude Oil
  – Proppant (sand, ceramic)
  – OCTG
  – Aggregates
  – NGL
  – Construction materials and various bulk products

• Lease options may exist for both land and product storage needs
Savage’s Integrated System

- SOURCE
- TRANSPORTATION
- TERMINAL
- DISTRIBUTION